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Central Intelligence Bulletin

CONTENTS

LAOS: Vang Pao's forces are pulling back from
Plaine des Jarres area. (Page 1)

ISRAEL - ARAB STATES: Syrian air strikes almost
certain to draw retaliation. (Page 3)



25X6

EL SALVADOR: Leftists trying to organize strikes.
(Page 5)

GUINEA: Government retreats on oil nationalization.
(Page 6)

PORTUGAL: President Thomaz probably will be chosen
for third term. (Page 7)

SYRIA-JORDAN: Limited relaxation of border closure
(Page 8)

CONGO: Purge follows coup attempt (Page 8)

BENELUX: Discount rates reduced (Page 9)

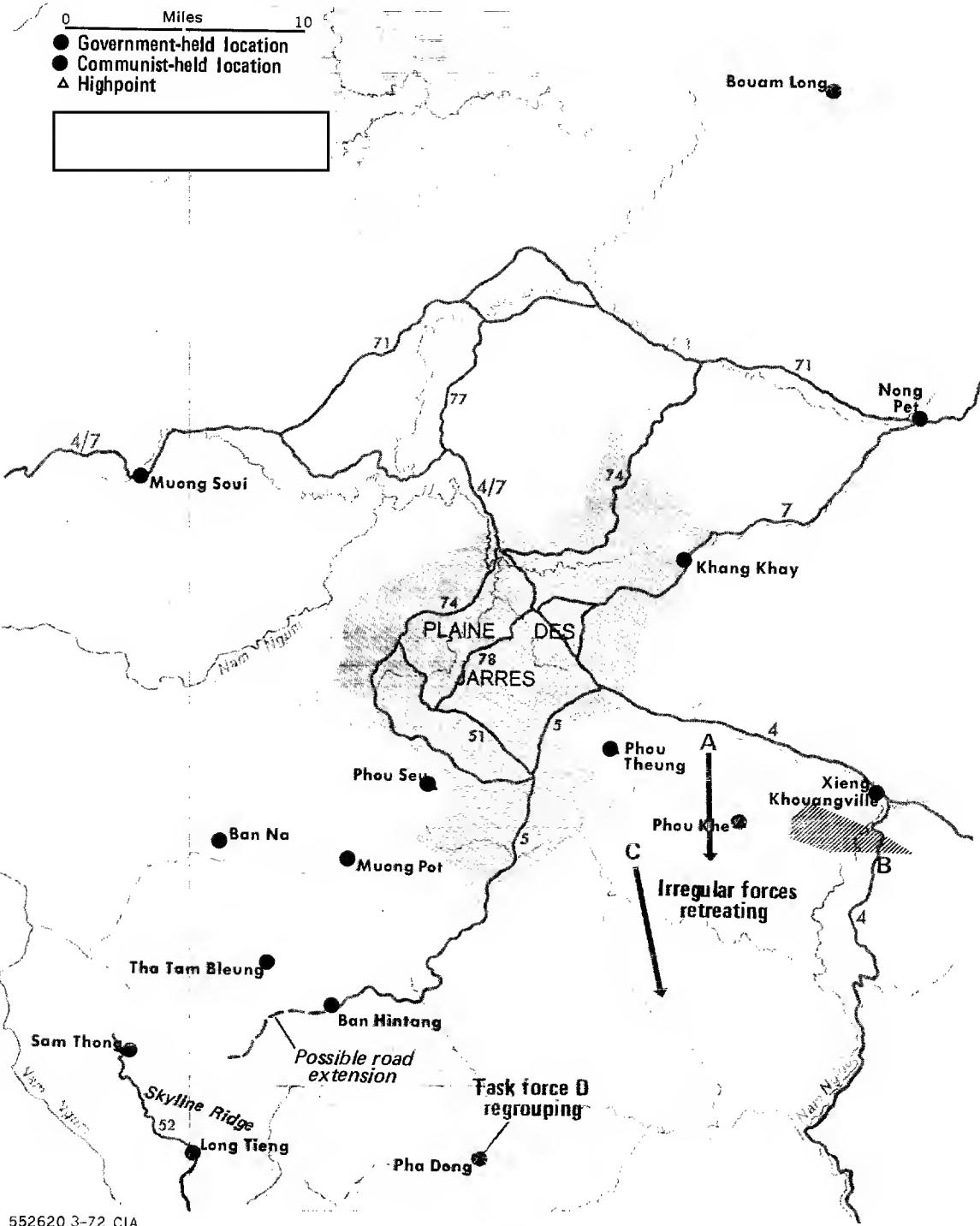
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25X1

LAOS: PLAINE DES JARRES AREA



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C LAOS: Most of Vang Pao's irregular forces are pulling back from the Plaine des Jarres area.

The task force that had been in the southwestern foothills of the Plaine was overrun by the North Vietnamese on 29 February; the irregular units are now moving south toward Pha Dong. Elements of a second task force dispersed by North Vietnamese attacks last weekend are already regrouping at Pha Dong. A third force, which had been operating east of Phou Theung, has been ordered back to the south. The fourth force is still in the hills between Phou Khe and Xieng Khouangville, but it may also move back.

In the Long Tieng and Sam Thong areas, enemy initiated activity has remained moderate, but the evidence continues to indicate that the North Vietnamese may be trying to get ready for another push. They are still moving large quantities of supplies into storage areas near Long Tieng. Trucks are using the new road from the southern edge of the Plaine to Ban Hintang. [and a preliminary field analysis of recent photography indicates the road is being extended through the Tha Tam Bleung area to a point some five miles north of Long Tieng. Air observers report that enemy anti-aircraft fire along the eastern portion of the road has recently become extremely heavy.]

25X1

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SYRIAN AIR STRIKES IN THE GOLAN HEIGHTS



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C ISRAEL - ARAB STATES: An Israeli retaliation for the Syrian air strikes at settlements in the occupied Golan Heights is almost a certainty.

Jerusalem Radio has confirmed that Syrian planes flew low over the Golan Heights late yesterday afternoon and dropped bombs near two settlements. The Israelis stated that no one was injured and that there was no damage. Israeli anti-aircraft fired at the Syrian planes and Israeli aircraft took off to intercept them but no contact was made.

The Syrians said that the air strikes were in retaliation for attacks by Israeli aircraft on fedayeen bases in Syria earlier in the day. Pro-fedayeen elements in the country, and perhaps even within the government, also may have influenced the Syrians to act. Furthermore, reports from Damascus indicate that large-scale demonstrations by Syrian students may have occurred recently and that Damascus may have acted against the Israelis to ease domestic pressures.

25X1

3

2 Mar 72

Central Intelligence Bulletin

SECRET

25X6

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EL SALVADOR: Supporters of the leftist coalition that barely lost the recent presidential election are trying to organize a series of strikes, but President Sanchez has stated emphatically that he will tolerate no disorders.

Most of the agitation appears to come from the Communist Party, the unions it controls, and the more radical university students. Their goal is to bring about the resignation of President Sanchez and postponement of the legislative and municipal elections scheduled for 12 March.

So far, they are having little success. As of the evening of 29 February, only three small strikes were in progress, and these were in non-essential industries. Many labor leaders fear the strikes will be unsuccessful and hesitate to subject their workers to financial loss and possible violence in support of a lost cause.

The coalition's unsuccessful presidential candidate in the election on 20 February continues to insist on non-violence, fearing that any disorders would widen the gulf between the coalition and the government. Most coalition leaders seem to favor participation in the coming elections, and there is a chance that the government will reinstate some of the opposition slates rejected earlier on technical grounds. President Sanchez, however, has stated emphatically that he will use the police and National Guard if strike activities become extensive or violent. If this becomes necessary, Sanchez will be in no mood to make concessions to the opposition coalition on the matter of legislative slates.

25X1

SECRET

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GUINEA: The government has retreated from its earlier "all inclusive" nationalization of Western oil installations.

A new decree modifying the original order specifically exempts the Texaco-owned central storage facility, which accounts for the bulk of Western investment in oil installations in Guinea, and airport refueling equipment. Vague references to future agreements on the status of these installations, however, leave open the possibility of further government moves to increase local control, short of nationalization. No mention was made of the distribution network, such as gas stations, and presumably the original decree still applies.

In a related development, Guinea has offered Texaco an exclusive contract to supply oil products worth \$2.5 million annually, probably as a sweetener to obtain Texaco's agreement to a Guinean proposal that the storage depot's capacity be enlarged by 40 percent.

Several factors, including tardy realization of the practical consequences of nationalization, probably contributed to the government's retreat. Notification by the US that failure to offer adequate compensation to US firms could adversely affect future US aid undoubtedly weighed heavily. Negotiations for next year's PL 480 aid, which is important to Guinea, are in progress. Guinea lately has shown increased sensitivity to its strained relations with the US and to recent US expressions of dissatisfaction. Fear that Western oil companies might refuse to supply future oil needs probably was also a factor.

25X1

2 Mar 72

Central Intelligence Bulletin

6

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PORtUGAL: The government's expected choice of figurehead President Thomaz to succeed himself will mean that Premier Caetano will continue as the virtually unchallenged political leader.

Selection of the 77-year-old admiral for a third term would remove the possibility of conflict between Caetano and several other potential candidates who would not be content to be figureheads. One of these is General Kaulza de Arriaga, whose return from a prestigious two-year assignment as military commander in Mozambique reportedly has been delayed until after the election this summer. Another is General Antonio de Spinola, the charismatic governor and military commander of Portuguese Guinea, whose overseas tour also has been extended. In addition to these men, several officers in the metropole are thought to covet the nomination. Speculation concerning all of them has steadily declined over the past few months, however.

A third term for Thomaz might pave the way for Caetano eventually to accede to the presidency--a move he reportedly put aside when senior military officers objected to losing a post reserved by custom for one of their number. Should Thomaz die in office, Caetano would succeed until new elections. He would then be in a position to engineer his nomination as the government's candidate and could run and presumably win in his own right.

Now midway in his fourth year in office, Caetano has proved an effective administrator. Within the existing authoritarian system, he has sought social and economic improvements and limited freedom of expression at home, and some measure of autonomy for the overseas provinces.

25X1

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SYRIA-JORDAN: Damascus, which closed its border with Jordan last July, has announced it will permit shipments of Jordanian phosphates to cross Syria. This decision resulted from an official notice by Turkey that it would shift phosphate purchases to Israel if Syria continued to block shipments of Jordanian phosphates. The additional phosphate exports should provide Jordan with \$5 million in needed foreign exchange this year and help the depressed trucking industry. The Syrian border remains closed to exports of Jordanian fruits and vegetables, however, and much of the vegetable crop is rotting in the fields. It has been politically difficult for Damascus to reopen its borders with Amman completely without a Jordanian gesture toward settling the fedayeen problem. Some other exceptions have been made, but these have not lessened significantly the economic impact of the closure.

25X1

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CONGO: President Ngouabi continues to consolidate his power in the wake of last week's coup attempt by extremist elements of his army-based regime. Scores of suspects, both military and civilian, have been arrested. The ruling party's leadership has been cut almost in half by the purge, which has fallen most heavily on southerners. Coup leader Diawara has not yet been apprehended and may have been given refuge by his contacts in the Cuban Embassy. Although Ngouabi can be expected to maintain both his radical rhetoric and the Soviet and Chinese aid programs, he may now soon move to broaden Congo's contacts with Western countries in the hope of obtaining increased foreign aid.

25X1

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2 Mar 72

Central Intelligence Bulletin

8

SECRET

25X1

BENELUX: The central banks of the Netherlands and Belgium announced they will lower their discount rates from 4.5 percent to four percent today. The reduction, the third for Belgium and the second for the Netherlands this year, is primarily a reaction to the downward trend in interest rates abroad. The Benelux action, undoubtedly prompted by West Germany's discount rate cut last week, also reflects a continued desire to prevent an inflow of dollars.

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